

Impact of the Comcast/NBCU Joint Venture on Pay-Per-View, Video on Demand, and Digital Linear Cable Services

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Agenda

- Comcast's business of delivering video to other MVPDs is the focus for today's meeting
- Potential impact of Comcast/NBCU JV on video delivery services and consumer welfare
- Overall, Avail-TVN does not oppose the Comcast-NBCU merger. However, Comcast may want to voluntarily address issues, or the FCC should evaluate whether conditions should be imposed.

Avail-TVN Introduction

- Avail-TVN is an independent digital media services company that facilitates the management, licensing, marketing, monetization, and distribution of digital media for content owners and content distributors.
 - Headquartered in Reston with facilities in Los Angeles and Kalispell, MT
- Avail-TVN's customers are both multichannel video programming distributors ("MVPDs") and content owners.

Comcast's "Traditional" Business

- Comcast's traditional businesses were video, broadband, and telephony services in specific geographic areas where Comcast enjoyed franchise rights.
- Comcast is the largest MVPD:
 - 23.6 million basic cable subscribers
 - 18.4 million digital cable subscribers
 - 17.7 million VOD-enabled cable subscribers
 - 15.9 million broadband subscribers
 - 7.6 million telephony subscribers

Comcast's "Other" Businesses Are the Focus of Today's Presentation

- Comcast is also a large provider of video delivery services, including services to other MVPDs. These services include
 - PPV services – 60 million subscribers
 - VOD services – 45 million subscribers
 - Digital linear cable TV services – 10 million subscribers
 - Integrated TV / PC services

PPV Services

- PPV service
 - PPV content is programming that subscribers pay to watch (movies, sporting events, adult programming), without VCR functionality (no pause, rewind, etc.).
 - PPV service provider must license programming, acquire live broadcast feeds and taped programming, deliver that programming via satellite, and provide marketing services for MVPDs.
- Comcast is the largest provider of PPV services
 - iNDemand – largest provider, serving 60 million subscribers
 - Avail-TVN – serving 6 million subscribers
- iNDemand and Avail-TVN compete to acquire programming rights from content owners and compete to win contracts with MVPDs.

Comcast's Current Conduct PPV Services

- Due to its high market share, iNDemand can limit competitive delivery of PPV content.
- Comcast-controlled iNDemand can leverage its large PPV subscriber base to obtain exclusive rights from content owners.

Paid VOD Service

- VOD Service

- VOD is file-based content distributed through MVPD set-top boxes for subscribers to view with VCR functionality. Includes free and paid programming.
- VOD service provider must license programming, prepare digital files (compression, encryption), prepare metadata, distribute programming, and provide marketing services for MVPDs.

- Two primary competitors

iNDemand + CMC

| | Comcast | Avail-TVN |
|---------------------------|----------------|------------------|
| Addressable subscribers | 45 million | 50 million |
| Subscribers w/ paid movie | 32 million | 14 million |

- Comcast and Avail-TVN compete to acquire programming rights from content owners and compete to win contracts with MVPDs.

Comcast's Current Conduct: VOD Services

- Comcast's iNDemand and CMC use their large captive VOD subscriber base to obtain programming rights from content owners on economic terms that others cannot match.
 - iNDemand/CMC offer low-cost / no-cost deals to content owners.
 - iNDemand/CMC offer low-cost / no-cost deals to MVPDs.
- Comcast has developed or obtained programming that is offered to MVPDs exclusively through iNDemand and CMC.

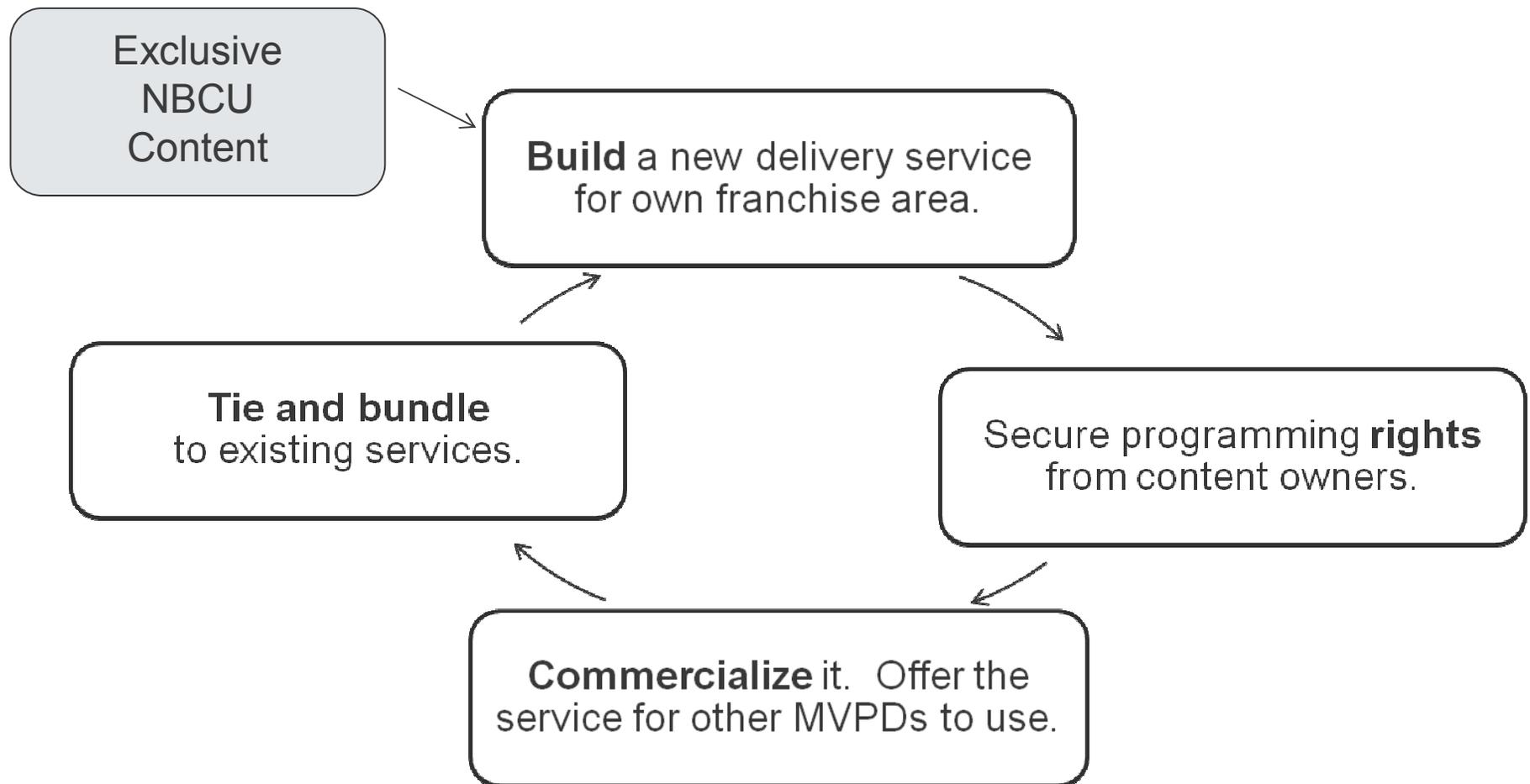
Digital Linear Cable TV Services

- Comcast HITS (Headend In the Sky) is the largest provider of digital linear cable TV services:
 - Serves 10 million MVPD subscribers (all cable) (5M non-Comcast).
 - Controls content distribution to MVPDs.
 - Selects programmers to include, controls channel order and lineup.
 - MVPDs generally cannot add, remove, or reorder channels.
 - Avail-TVN serves 100k MVPD subscribers (cable and telco).
 - EchoStar VIP serves under 10k MVPD subscribers (telco).
- HITS, Avail-TVN, and VIP compete to acquire programming rights from content owners and compete to win long-term contracts with MVPDs.

Comcast's Current Conduct: Bundling

- Bundles iNDemand's PPV and VOD services.
- Bundles iNDemand's services and CMC's services
- If a MVPD wants access to Comcast's exclusive program content at attractive prices, it is forced to take a bundle of Comcast services, *e.g.*, iNDemand.

Impact of Exclusive NBCU Content on Comcast's Delivery Model



Comcast's Delivery Model

| | Digital Linear Cable TV Services | PPV Services | VOD Services | Integrated TV/PC Services | Broadband Services for Content Owners |
|---|----------------------------------|--------------|--------------|---------------------------|---------------------------------------|
| | HITS | iNDemand | CMC | XFINITY | thePlatform |
| High fixed costs to operate | √ | √ | √ | √ | |
| High upfront costs to develop | √ | √ | √ | √ | |
| Ability to leverage power over content owners | √ | √ | √ | √ | √ |
| Ability to bundle services for content owners | √ | √ | √ | √ | √ |
| Ability to leverage power over MVPDs | √ | √ | √ | √ | √ |
| Ability to bundle services for MVPDs | √ | √ | √ | √ | √ |

Impact of Comcast/NBCU JV on Delivery of New Services?

- New services, *e.g.*, integrated TV/PC service to let consumers access premium content through PCs linked to their MVPD subscription.
- Could Comcast make XFINITY the sole TV/PC service with access to NBCU content?

The FCC Should Consider Impact of JV on PPV, VOD, and Digital Linear Cable

- PPV, VOD, and digital linear cable are not covered by FCC program access rules.
- Combining NBCU's must-have content with Comcast's already-dominant distribution model creates concerns for consumer welfare.
- Conditions to the JV are needed to:
 - Reduce Comcast's incentive and ability to tie and bundle iNDemand / CMC services.
 - Protect VOD and PPV markets from becoming even less competitive.
 - Prevent Comcast from discriminating against content providers and MVPDs who utilize competing delivery platforms.
 - Enable competitive providers of PPV, VOD, and digital linear cable services to secure access to all Comcast-controlled content at reasonable prices.
- A competitive video delivery market is crucial to the growth of alternative delivery platforms (both wireless and wireline).